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8 September 1980

Japan Report

(FOUO 21/80)

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8 September 1980

JAPAN REPORT

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POLITICAL AND SOCIOLOGICAL

'YOMIURI' ON ELECTION CHANGE

Tokyo THE DAILY YOMIURI in English 2 Aug 80 p 3

["Political Beat" column by Raisuke Honda: "Election System Change"]

[Text]

Prime Minister Suzuki appears keen to seek abolition of the national constituency system for the House of Councilors election by replacing it with a proportional representation system.

The premier Tuesday met with Elzaburo Saito and other representatives of the 40-member group of Liberal-Democratic Party (LDP) Dietmen elected from the national constituency.

The upper house LDP members urged Suzuki to do his best to realize a fixed-list proportional representation system in order to make election campaigning less costly.

In response to the request, the premier reportedly promised to encourage LDP executives to submit a bill for revision of the Public Offices Election Law in the forthcoming Diet session.

In his meeting later Tuesday with Yoshihiro Inayama, president of the Federation of Economic Organizations (Keidanren), and other business leaders, the premier also showed his determination to embark on doing away with the existing national constituency system in favor of a fixed-list proportional representation system.

There are certain reasons for the premier's willingness.

First, the existing national constituency that covers the entire country as one electoral district involves a huge amount of campaign cost.

Those running from the national constituency in upper house elections are allowed to use a maximum of 100,000 elec-

tion posters and 350,000 copies of campaign leaflets each.

Although expenses for making the posters and leaflets are covered by state subsidies, each candidate has to bear the cost for distributing them, including postages for the leaflets and expenses for having the posters supported with veneer.

During the last upper house election, rumor had it that a candidate not ready to spend ¥500 million or more for electioneering could never be successful.

Second, the prohibitively high campaign cost has resulted in an increasing number of those running in the upper house election to shy away from the national constituency.

The LDP executives at the time of last upper house election had tried to put 30 candidates from the national constituency, but could find no more than 22.

Third, LDP Dietmen in the upper house who are to seek reelection in the next election are intensifying their moves to realize a proportional representation system.

Against such background, the LDP has named former finance minister Noboru Takeshita, known for his knowledge about the election system, to chair the party's Election System Study Council, while inaugurating a House of Representatives' special committee on the reform of election system under senior LDP member Chuji Kuno, apparently in preparation for submitting a bill to revise the Public Offices Election Law.

However, the LDP is expected to find it extremely difficult either to introduce

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any election system revision bill to the forthcoming ordinary Diet session or to secure its passage.

This is primarily because adoption, if any, of a proportional representation system would mean strengthening of party politics, or disappearance of independent members in the upper house. It would also eventually lead to enactment of a political party law.

Although the government advisory council on election system has so far tried several times to work out proposals for a proportional representation system, any consensus among the council members has yet to be reached concerning various issues involved.

Among such issues are measures to deal with possible objections from minor parties and independent members of the upper house who would be certain to suffer serious disadvantages under the envisioned election system, and relative feasibility between a fixed-list proportional representation and nonfixed one.

Such medium- and small-size parties as Komeito and Democratic-Socialist Party have already raised objection to the LDP moves for a proportional representation system.

The Communist Party is also wary of the planned election system reform, suspecting that it may have been aimed at eventually introducing a single-member electorate system for lower house elections.

Premier Suzuki would, therefore, find it particularly difficult to effect the envisioned election system reform, especially because a unanimous vote in the Diet is needed for any change in the election system.

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POLITICAL AND SOCIOLOGICAL

ACADEMICIANS USE MATHEMATICAL APPROACH TO ANALYZE 'DOUBLE ELECTION'

Tokyo MAINICHI SHIMBUN in Japanese 6 Aug 80 pp 1, 3

[Article: "'Mathematic Projection Method' Devised by University Professors Utilized To Analyze Shifts and Trends in Electorate"]

[Text] Analyses of 170 Million Votes Cast in Upper, Lower Houses 'Double Election'

How were the votes cast for Party A in the previous election distributed among the political parties in this election? How did the voters who voted for Party A in the election for Lower House seats vote in the Upper House electoral regions and nationwide and which parties got the votes in the recent 'double election'?

'Shifts in the electorate' is the major key to political predictions since it would show a party's growth of ebb and indicate political trends. But such shifts could not be determined scientifically using election results as a base because of secret balloting. The "mathematic projection method" which is a systematically programmed method of analyses without precedence in the world, has overcome that obstacle.

Until now, election analyses were based on, for example, votes cast in terms of predominating environment (population predominantly engaged in primary, secondary, or tertiary industry). By making comparative studies of voting results in the light of the predominating industry, deductions such as "conservatism is in direct proportion to the degree of dominance of agricultural endeavors" were made. Such means had to be relied on to establish general characteristics of a given electorate.

The academic world, however, was not satisfied with data which could apply only very generally to the district environment, leaving the voting inclinations of individual voters unexplained. The "mathematic projection method" being introduced here, is a method developed to get closer to finding the inclinations of individuals while using data obtained on the basis of a district as a unit. The "method" was the brainchild of Professor Junichi Kyogoku of Tokyo University (political

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science) and developed for use in analyzing the election of 8 years ago by Professor Michitoshi Takabatake of Rikkyo University (political science). (See Professor Takabatake's monograph, "Election Analyses and Second Phase Planning" in issue number 12 of "Rikkyo Hogaku [Rikkyo Law Review]" for details.)

"Mathematic projection method" is the name given to a method of programming a system for optimal production in industry by appropriately weighting the investmental elements required (labor, capital, etc) for maximal production earnings. A group of programs had been devised for that purpose and Professors Kyogoku and Takabatake applied and developed one of them to analyze elections.

Improvements and Refinements

If, for example, shifts in the votes for parties of a given electorate from one Lower House election to the next could be estimated and subsequently verified by actual count, unexpected errors in estimates could be minimized. The "Method" being discussed here is a system whereby shifts in the electorate's party preferences can be calculated in advance with small margins of error. The search for methods of bringing the estimated totals even closer to the actual count would become the work of finding vote shifts more accurately.

In the quest for minimal margins of error, 0 percent and 100 percent figures (borderline thresholds) could turn up. For that reason there are times when an impression may be given which is in direct conflict with actuality. 0 percent could be interpreted as the flow of votes being very small and that 100 percent is very strong.

Taking into consideration such vulnerabilities, the MAINICHI SHIMBUN with the assistance and cooperation of Professors Kyogoku and Takabatake, plans to devise its own election analysis system which would incorporate improvements and refinements to the "Method." The election analysis system being considered will be comprised of a three pronged approach: the improved "Method," public opinion polls, and information gathered by reporters.

Phenomenal Climb of "Shiminto [Citizens' Party]"

Coincides With Mr Suga's Estimate

Naoto Suga of the Shaminren [Social Democratic League] topped the voting in the Lower House race in Tokyo's seventh district with the support of urban citizen volunteers.

With a somewhat surprised expression, Suga commented: "Very interesting." A computer printout of vote shifts in the seventh district, programmed in accordance with the "Mathematic Projection Method," was spread out on the

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table in front of him. There had been 690,000 valid ballots cast on that day's election Tokyo's seventh district which was an increase of 130,000 over the figure of 560,000 in the previous general election 1979. Riding the crest of this wave, Suga himself made a phenomenal climb to 157,000 votes, 90,000 more than the 67,000 he had garnered in the previous election. What was the secret for this explosive growth?

According to calculations made by the "Method," Suga retained practically all of the 67,000 votes cast for him previously. In addition, he captured about 90 percent of the 34,000 votes cast last time for Akio Makiyama of the Shijiku [New Liberal Club--NLC] who did not run this time. The major source of the big increase, however, was that of the 130,000 increase in voter turn out--stay-at-homes the last time due, probably, to inclement weather conditions--approximately 60,000 voted for Suga.

"The actual result coincides almost exactly with our estimate; since this is the electoral district which was involved in the mystery shrouded papers incident, we thought we would garner some anti-Ozawa (Kiyoshi Ozawa, Liberal Democratic Party [LDP] member of the Lower House) votes."

According to a public opinion poll conducted by this paper immediately prior to the election, LDP supporters numbering several percent appeared to be shifting to Suga; "Method" calculations, however, showed that the suga vote would be weighted to only a minor extent from this source.

Alliance Votes Also Flow

What "coattail" effect was there in voting shifts in the Suga vote and votes cast for the various candidates in the running for Upper House seats? The "Method" analyses produced the following estimates: Suga got 95,000 of those who voted for Tokuma Utsunomiya who was supported by the Shamin-Kurisu of the Minshu [Social Democratic] party and a total of 16,000 who voted for Japan Socialist and Japan Communist Party candidates.

Without revealing these readouts to him, Suga was asked what he thought the relationship was between those who voted for him and for those running in regional [upper house] seats.

Suga: "I imagine that Utsunomiya and Kurisu votes came to me."

Question: "Suga, the candidate of the 'Citizens' Party' which was born of urban people's action, seems incompatible with Kurisu who is the former Chief of the Joint Chiefs of Staff."

Suga: "The backbone of the Kurisu electorate is the 'slate' vote. In the seventh district, Kurisu got 96,000 votes and 40,000 or 50,000 of those were 'slate' votes. Ever since I first stood for election in 1976, the Minsha Party has failed to endorse a candidate. I believe that ever

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since then that most of the 'slate' vote has come my way. Since I ran with Utsunomiya, I think I got the Utsunomiya electorate."

What kind of people supported the candidate of the "citizens participation election" who started out without a name, with no money, and no organization?

Suga's image of his supporters: "White collar workers with intelligent-sia leanings and their wives; women predominate by six to four. During the campaign, housewives of 30 to 50 age bracket reacted well; I also had the support of the fairly elderly."

Preelection surveys made by this paper indicated that Suga was gaining support in all age brackets over the general election of 1979 and also of gaining support from not only the Shaminren but also from NLC and Social Democrats as well. Suga supporters who "definitely would vote" doubled over the 8 months earlier general election figure and support from even those who claimed no party affiliation increased two-fold in the same period of time.

Simultaneous Election Advantageous

Question: "Did the simultaneous Upper and Lower House election have a favorable effect?"

Suga: "The hard work put in by candidates at large [upper house election] Fusae Ichikawa, Yukio Aoshima, and Chinatsu Nakayama to get the vote out made 'Suga for the Lower House' a sure thing."

Suga was active in supporting the "Association to Independently Campaign for Fusae Ichikawa." This movement created an independent bloc whose membership broke through party lines. In this election in which the candidates who were not endorsed by political parties fared poorly--particularly true in races for Lower House seats in which the electorate turned its back on the independents--Suga was an outstanding exception. There is ample evidence that the electorate for the nation's top vote-getter Ichikawa and the nonaligned independents threw in with Suga supporters.

Of the total of 157,000 votes cast, Ichikawa garnered 36 percent, Ryokichi Minobe 14 percent, unaffiliated independent candidates including Nakayama 34 percent, and the NLC and Shaminren together 16 percent.

That is the outline of the relationship between the Suga electorate and the regional and nationwide candidates for Upper House seats computed by the "Mathematic Projection Method."

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Estimating Shifting Votes; New Analytic Concept

"Mathematic Projection Method"

This is a new method of analyzing elections. It is a method of estimating shifts of votes from one party to another in, for example, two consecutive elections for Lower House seats. Unlike public opinion polls in which small samplings of the electorate are selected and polled as a base from which to project final results, the "Method" is based on vote-getting capacities of candidates and parties and using data to make objective, overall computations. It is a system which has been in use for production planning and inventory control in private industry. Pertinent parts of that concept were excerpted, refined and applied to political elements. In instances where ballot boxes are opened at the same place, shifts in votes of the electorate can be estimated regardless of the time lapse between elections. The system has a broad application in that it can make estimates in off-year Lower House races as well as when Lower and Upper House elections are held simultaneously, in regional and national races for the Upper House seats which are held simultaneously, and in governorship and national political contests.

Directions for Reading Table

The accompanying table is the final "Table of Estimates" derived by applying the "Mathematic Projection Method." Specifically, the table shows the shift of votes in Tokyo's seventh district from the last Lower House election to this one. The number on the top line represents the numerical shift, or, in the block for the same party [the block at the intersection of the column and row for the same party] the estimated number of voters who remained with the party. The number on the middle line shows the ratio between the top figure and the total votes cast (number of votes cast in the previous election). The number on the bottom line represents the ratio between the estimated number of shifting votes and the number being cast for that specific party. The lower two numbers are percentiles. The columnar sums of the percentiles in the middle line equal 100 and the horizontal sums of the percentiles of the bottom line also equal 100.

As an example, let us look at the first (furthest left) column of figures. Although the LDP retained 63.83 percent of those who voted for it in the previous election, 4.28 percent shifted to the Socialist Party, 6.68 percent to the Komeito, and 3.41 percent to the Communist Party. The number of previous LDP voters who shifted to the Socialist Party represents 6.69 percent of the total number of votes cast for the Socialist Party in the last election. (Since some fractional values were disregarded in making up the table, there are some minor discrepancies in the actual numbers.)

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Shift of Votes From 1979 to 1980 Lower House Elections (Tokyo's Seventh District)

	1)	2)	3)	4)	5)	6)	7)	8)	9)	10)	11)	12)	13)
	自民	社会	公明	共産	新自	民進	無効	棄権	有権者	増減	合計	実数	誤差
15) 自民	106946	15913	0	15521	0	0	0	78073	0	0	216454	217691	-1237
16) (小沢文夫)	63.83	17.25	0.0	15.47	0.0	0.0	0.0	17.15	0	0	20.93	21.05	-0.12
	49.41	7.35	0.0	7.17	0.0	0.0	0.0	36.07	0.0	0.0	100.00	99.43	-0.57
17) 社会	7165	76364	7977	0	0	0	0	14970	656	0	107132	107002	130
(長谷川正三)	4.28	82.75	7.70	0.0	0.0	0.0	0.0	3.29	8.52	0	10.36	10.35	0.01
	6.69	71.28	7.45	0.0	0.0	0.0	0.0	13.97	0.61	0.0	100.00	100.12	0.12
18) 公明	11198	0	93723	0	0	0	0	0	2249	0	107170	107129	41
(大野木)	6.68	0.0	90.42	0.0	0.0	0.0	0.0	0.0	29.22	0	10.56	10.36	0.00
20) (大野木)	10.45	0.0	87.45	0.0	0.0	0.0	0.0	0.0	2.10	0.0	100.00	100.04	0.04
	5717	0	0	84802	0	0	0	9337	1805	0	102160	102198	-38
21) 共産	3.41	0.0	0.0	64.53	0.0	0.0	0.0	2.16	23.45	0	9.88	9.88	-0.00
(工藤秀亮)	5.50	0.0	0.0	83.01	0.0	0.0	0.0	9.63	1.77	0.0	100.00	99.96	-0.04
22) (工藤秀亮)	0	0	0	0	29945	67480	0	60541	0	0	158066	157921	145
23) 社民連	0.0	0.0	0.0	0.0	87.44	100.00	0.0	13.32	0.0	0.0	15.28	15.27	0.01
(菅直人)	0.0	0.0	0.0	0.0	18.94	42.69	0.0	38.36	0.0	0.0	100.00	100.09	0.09
24) (菅直人)	4067	0	1957	0	0	0	0	9923	792	0	16738	16867	-129
無効	2.43	0.0	1.89	0.0	0.0	0.0	0.0	2.18	10.30	0	1.62	1.63	-0.01
25) 棄権	24.30	0.0	11.69	0.0	0.0	0.0	0.0	59.28	4.73	0.0	100.00	99.24	-0.76
	32457	0	0	0	4301	0	5665	281831	2193	0	326448	325361	1087
26) 棄権	19.37	0.0	0.0	0.0	12.56	0.0	100.00	61.90	28.50	0	31.57	31.46	0.11
	9.94	0.0	0.0	0.0	1.32	0.0	1.74	86.33	0.67	0.0	100.00	100.33	0.33
27) 合計	167550	92277	103657	100323	34246	67480	5665	455277	7694	0	1034169	1034167	-2
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Key:

- | | |
|-----------------------------------|---------------------------------|
| 1) 1979 | 15) LDP |
| 2) Liberal Democratic Party [LDP] | 16) Kiyoshi Ozawa Fumio Akimoto |
| 3) Japan Socialist Party [JSF] | 17) JSP |
| 4) Komeito | 18) Shozo Hasegawa |
| 5) Japan Communist Party [JCP] | 19) Komeito |
| 6) Shin Jiyu Kurabu [NLC] | 20) Kiyoshi Ono |
| 7) Shaminren | 21) JCP |
| 8) Invalidated | 22) Akira Kudo |
| 9) Defaults | 23) Shaminren |
| 10) Electorate Increase | 24) Naoto Suga |
| 11) Total | 25) Invalidated |
| 12) Actual Count | 26) Defaults |
| 13) Error | 27) Total |
| 14) 1980 | |

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POLITICAL AND SOCIOLOGICAL

SOHYO DOING ITS BEST TO STRENGTHEN JSP

Tokyo MAINICHI DAILY NEWS in English 13 Aug 80 p 4

["Nagatacho Doings" column by Takehiko Takahasi]

[Text]

Sohyo (General Council of Trade Unions of Japan), with about 4,500,000 workers under its aegis, is a central existence among Japan's labor organizations.

Nevertheless, it no longer wields the power that it had at the time when it was widely remarked: "in the past, the army—today, Sohyo." One reason has been the increase in strength of the rival Domei (Japanese Confederation of Labor). Another reason has been the fading away of the kind of political struggles that were seen in the Antisecurity Treaty struggle and the Mitsui-Milke struggle.

Sohyo supports the Japan Socialist Party. Although there are some Sohyo members who back the Japan Communist Party, the Sohyo mainstream is holding down JCP backers and is continuing to push through support of the JSP.

This is understandable. In the last general election, of the House of Representatives, 107 JSP candidates were elected. Of them, 86 were connected with Sohyo in some way. Accordingly, JSP's position is

almost like being "Sohyo's branch in the Diet."

Because its relations with the Japan Socialist Party are so close, Sohyo also faces problems. The biggest problem is how to enable JSP's influence to expand in the future. In connection with this, another problem for Sohyo is what relationship the JSP should have with other political parties.

The attitude of Sohyo's Chairman Motofumi Makieda and Secretary General Mitsuo Tomizuka toward the Japan Communist Party is clear. When the JSP, in formulating the concept of a coalition government with the Komeito, made it clear that "the Japan Communist Party will not be included in discussions concerning the administration," this was undoubtedly because of pressure exerted by Sohyo.

The Japan Communist Party, greatly dissatisfied with this attitude of Sohyo, is supporting the concept of a "Unified Labor Union Council." It desires to make this a national center of labor unions, replacing Sohyo.

Chairman Makieda is also

chairman of the Japan Teachers Union. Ignoring his instructions, the Tokyo metropolitan chapter of the teachers union decided to participate in the unified council. This is because of the strong Communist influence in the Tokyo metropolitan chapter.

As a result, Communist delegates are not being invited to the Japan Teachers Union convention which is to be held shortly. Jichiro (All Japan Prefectural and Municipal Workers' Union), where Communist influence was strong in the past, also decided not to invite Communist delegates to its convention.

Policies Of Sohyo

In this way, the policies of Sohyo's leaders toward the Communists are becoming more positive. In particular, among the regional unions, which are Sohyo's lower echelon organizations, the leadership in the cities is being held by the JCP. Sohyo is desirous of recapturing the leadership.

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At the time of an election, the regional unions are the center of campaigning. Even if Sohyo supports the Japan Socialist Party, if the lower echelon organizations are Communist, they will only distribute Japan Communist Party handbills. Sohyo's policy is to pour in personnel and money to make the regional unions pro-JSP. Sohyo wants to make this fully effective by the time of the House of Councillors election and local elections three years hence.

At the same time, in order to strengthen the situation so that practically all JSP members will be connected in some way with Sohyo, preparations are being made to set up a "Japan Socialist Party Strengthening Committee" as Sohyo's external organ. In this case, it is intended to strengthen the tie-up with another labor organization, Churitsuroren (Federation of Independent Unions).

Another of Sohyo's aims concerns the Soka Gakkai. The Komeito is a political party supported by the Soka Gakkai. If the Komeito approaches the Democratic Socialist Party's

course under a "middle-of-the-road" banner, the Japan Socialist Party may be isolated as a political influence. Sohyo's leaders fear that in such a case, the JSP might again draw nearer to the Japan Communist Party.

By deepening its relations with Soka Gakkai, the parent body of the Komeito, Sohyo is aiming to strengthen JSP-Komeito relations.

The immediate goal of Sohyo is for the JSP to obtain 150 seats and the Komeito 50 seats, a total of 200 in the House of Representatives. In order to attain this goal, obstructionists will be cut off even if they were formerly leaders of the labor movement. For example, setting up Kaoru Ota, former chairman, as a candidate in the Tokyo gubernatorial election, was a strategy to separate Ota from Sohyo.

It is problematical whether these Sohyo strategies will prove successful, but there is no doubt that the present situation, in which the Japan Socialist Party is acting under Sohyo's influence, will remain unchanged.

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POLITICAL AND SOCIOLOGICAL

LDP'S TILT TO THE RIGHT CITED

Tokyo THE DAILY YOMIURI in English 9 Aug 80 p 3

["Political Beat" column by Raisuke Honda: "LDP's Tilt to the Right"]

[Text]

Three weeks have passed since the Suzuki cabinet was born under the banner of "politics of concord."

Opinion polls taken by mass media show the popularity rates of the Suzuki cabinet to be as high as those at the time of the birth of the cabinet of Kakuei Tanaka, indicating that the public is placing great expectations on the new administration.

The initial three weeks of the Suzuki government, however, can hardly be said to befit its high popularity.

Prime Minister Suzuki, presumably because of his "politics of concord" credo, seems to be deliberately refraining from taking the initiative on any major issue.

Since he fails to express his own viewpoint, every cabinet meeting is reportedly as clamorous as the Liberal-Democratic Party's (LDP) Executive Board discussions, with any cabinet member voicing his views without restraint.

Meanwhile, the LDP, apparently puffed up by its unexpectedly easy victory in the last "double" Diet elections, has made a point of taking an unusually bullish stand on major political issues.

The lack of leadership by the premier and the high-handedness of the ruling LDP seem to have much to do with what the opposition charges as the "reactionary nature" of the Suzuki cabinet.

Measures that have impressed the public with the Suzuki administration's "hard-line stance" include the abolition of the House of Representatives special investigative committee on aircraft import scandals, preferential treatment for the fiscal 1981 defense budget and the go-ahead given to increases in producers'

prices of the rice for the first time in three years.

The LDP, for its part, is moving actively to introduce a controversial bill to the Diet to place the Yasukuni Shrine dedicated to the nation's war dead under government protection.

Premier Suzuki, who served several terms as chairman of the LDP Executive Board, has indeed won a high reputation as "co-ordinator" of different views.

Since he had virtually no opportunity to show his own leadership while in high party posts before taking the reins of government, many observers at the birth of the Suzuki cabinet warned that the new government would be prone to lack leadership and fall easily under the influence of former premier Tanaka.

Immediately after the last Diet elections, Tanaka publicly said: "Now that the people has given the LDP a landslide victory, the party can now do anything it wants to do."

In a recent meeting of a policy study group closely connected with his faction, Tanaka strongly urged the LDP to "act resolutely" on the strength of the election victory.

Not that Tanaka is "manipulating" the Suzuki cabinet from backstage, as some critics claim.

It can hardly be denied, however, that most LDP Dietmen, like Tanaka, are so elated about the election results that they feel free to speak out and act boldly on sensitive issues by exploiting the weakened strength of the opposition.

Reflecting such a bullish mood within

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the LDP, the government has decided to allow a maximum 9.7 percent increase in defense expenditures for fiscal 1981, as an exception to the 7.9 percent ceiling imposed on increases in budget requests for the next fiscal year from ministries and agencies.

Regarding the rice price issue, the Suzuki cabinet decided on a 2.3 percent raise in the producers' rice price, which is the price the government will pay farmers for rice.

This means the government has capitulated to pressures from farmer-backed LDP Dietmen by scrapping the earlier government policy of pegging the rice prices for three consecutive years in view of snowballing rice stockpiles.

Meanwhile, Premier Suzuki is to pay his respects at the Yasukuni Shrine on August 15, the anniversary of the end of the Pacific War. Although Suzuki is said to make the visit to the Shinto shrine in the capacity of a private individual, more than 10 of his cabinet members are scheduled to accompany the premier.

Apparently encouraged by the planned visit to the shrine by the premier, a group of LDP Dietmen, including Secretary-General Yoshio Sakurachi, are determined to introduce a bill aimed at giving special government protection to the Yasukuni Shrine for the first time in six years.

However, it is highly questionable whether the majority of the voters who voted for the LDP in the last Diet elections welcome such a tilt to the right by the LDP and the government.

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POLITICAL AND SOCIOLOGICAL

LDP MEMBERSHIP DROPS SHARPLY, UNEXPECTEDLY

OW220612 Tokyo THE JAPAN TIMES in English 21 Aug 80 p 4

[Text] The recent "cease-fire" agreement among the factional bosses to avert an immediate power struggle within the Liberal-Democratic Party (LDP) has produced an unexpected repercussion--a sharp fall in party membership.

Only 106,000 people had paid party membership fees for fiscal 1980 by the deadline for payment which was Wednesday, according to an interim report by the LDP National Organization Committee.

This is a far cry from last fiscal year when the number of LDP members shot up to more than 3 million mainly because of frantic efforts of the factional leaders to recruit new members supporting them in a bid to outvote their rivals in the LDP presidential election this autumn.

This means that the number of LDP members who has paid membership fees for the current fiscal year is one-thirtieth that of early this year.

But the LDP hopes that a final tabulation to be made next Tuesday will show that its total membership to be between 600,000 and 700,000. The reasons for its prediction are that there must be 400,000-500,000 loyal members and that many prefectural chapters are yet to make final reports on members.

The biggest reason for the sharp fall in membership is the LDP leadership's intention of canceling the planned party presidential primary to allow Prime Minister Zenko Suzuki to retain the post uncontested, LDP sources explained.

Most factional leaders have already agreed to cancel the race ostensibly in the interest of party unity. They fear that another factional bickering in the wake of the late Prime Minister Masa-oshi Ohira's death will antagonize not only the public but also their own fellow members.

The de facto decision to cancel the presidential primary has disappointed many LDP members because casting votes for their factional bosses in the primary is one privilege granted to those who have paid member fees for two consecutive years.

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The LDP adopted the presidential primary system in 1977. It succeeded in recruiting new members, and its membership increased from about 500,000 to 1.5 million at the time of the last presidential election nearly two years ago.

It is an open secret that faction leaders and businesses paid membership fees on behalf of recruits who pledged to vote for particular candidates in the primary.

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POLITICAL AND SOCIOLOGICAL

JCP ISSUES STATEMENT ON APPEARANCE OF RITSU ITO IN BEIJING

OW251000 Tokyo JPS in English 0919 GMT 25 Aug 80

[Text] Tokyo, 25 Aug, JPS--The press service department of the Japanese Communist Party issued a statement on 23 August about a news report that Ritsu Ito was alive in Beijing.

The statement says:

(1) Ritsu Ito is a man whose expulsion from the JCP was approved in 1958. Since then the JCP has had nothing to do with him.

(2) He belonged to the one group when the JCP split into two in 1950. He exiled himself to Beijing and was expelled from the party by the group of a fellow group in Beijing in 1953. This was done by one of the split group, therefore it was not an official decision by the party organ. After that, the 7th Party Congress in 1958 which the party could restore the unity of the party approved the measure of expulsion of him from the party grounds that he was an unreliable element whose violation of party rule repeatedly the commission even before the 1950's party split. [passage as received]

JCP standing presidium member Eizo Kobayashi said at a press conference on 23 August that the report that Ito is alive "will not affect the present activities of the Japanese Communist Party."

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MILITARY

FOREIGN MINISTRY'S NATIONAL SECURITY POLICY INVITES CRITICISM

Tokyo THE DAILY YOMIURI in English 3 Aug 80 p 3

["Behind the Scenes" column by Minoru Hirano: "Defense Controversy"]

[Text]

In a report on Japan's national security policy for the 1980s, the Foreign Ministry noted that the US is seeking allied support because its national strength has waned while the Soviet Union has been building up its armaments for more than 20 years.

The report, released on July 27, also noted the deep concern about the East-West power balance in the light of Soviet infiltration of the Third World, undercutting the security of the Western camp.

On the basis of this review, the report said Japan should not regard its national security as a problem for this country alone but should strengthen its defense capabilities from a global viewpoint, paying heed to how the Western camp should effectively counter the Soviet threat.

From an international viewpoint, the analysis and recommendations contained in the report show sound common sense. But they invited the following criticism:

- The Foreign Ministry in the past preached peaceful foreign policy centered on the UN, but has suddenly begun to emphasize the importance of military strength in diplomacy. This is dangerous because it may encourage unbridled arms expansion.
- The report excessively underscores the Soviet threat while such West European countries as West Germany and France attach importance to detente.
- Japan's foreign policy, true to the spirit of the war-renouncing constitution, should be aimed at promoting the peace and stability of the world on nonmilitary and constructive lines.

- It is the task of the Foreign Ministry to make up for Japan's lack of military clout by making efforts on the nonmilitary side. The ministry should stress the importance of economic cooperation.

The review was denounced as a "report by the Foreign Ministry which forgot diplomacy" or a "report by the Foreign Ministry which is weak in diplomacy."

The Foreign Ministry's review and the reaction it received have revealed two things. One is that under US pressure which has intensified since the Soviet intervention in Afghanistan, Japan has to take up the defense issue, hitherto tabooed. The other is that there is no consensus yet among the Japanese about how much Japan should strengthen its defense capabilities, and no such consensus is likely to form in the near future.

The hawks in the Liberal-Democratic Party and some financial leaders are spearheading the drive for stronger defenses. In particular, Hosai Hyuga, president of the Kansai Federation of Economic Organizations advocates the revival of the conscription system, and Shigeo Nagano, president of the Japan Chamber of Commerce and Industry, advocates lifting the embargo on exports of weapons.

There is also a strong body of opinion that Japan, without being influenced by changes in the world situation, should adhere to its independent course of action.

Kiichi Miyazawa, chief cabinet secretary in the Suzuki cabinet, said in an interview with a certain magazine in March that Japan is a unique country and as such, this nation should stick to Article 9 of the con-

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stitution and by capitalizing on its position as a nonmilitary power should deepen ties with the rest of the world through economic and technological cooperation and by doing so should seek its national security. Japan has been following this course since the end of the war and this is the only course, he said.

"This may be an aftereffect of Japan's defeat in World War II," he said. "Western countries do not want to see Japan grow into a big military power because if Japan becomes one, the power balance will be upset and tensions will increase."

All criticism against an expansion of armaments by Japan and against the Foreign Ministry report are based on such thinking. A problem is how Japan can defend its independent policy while adapting itself to international realities and the US request.

Miyazawa says that the 1980s will be a decade of tightrope walking for Japan.

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MILITARY

DEFENSE BUDGET ON THE LOOSE

Tokyo MAINICHI DAILY NEWS in English 12 Aug 80 p 5

["Zooming-In" column by Nideo Matsuoka]

[Text]

For the Japanese, August is "the month the war ended." We do not observe any anniversary of our "defeat" in the war. But remembering the war defeat on Aug. 15 has become an established practice today.

At the beginning of August, there was a world conference against the atomic bomb. Then came the prayer meetings to console the spirit of those killed in Hiroshima and Nagasaki by atomic bombing. On Aug. 15, the day of surrender, a memorial service is held at Tokyo's Budokan Hall for the souls of the war dead. It is also around that time that the nation debates the advisability of the prime minister's visit to Yasukuni Shrine which enshrines the war dead.

"I hear members of the cabinet are to visit Yasukuni Shrine with the prime minister this year. Let me offer my congratulations. I also hear that the opposition parties and religious groups have been raising objections. Why should they object to the cabinet members paying homage at the shrine where the souls of persons who gave their lives for

their country are enshrined? For me, who lost a member of my family in the war, Yasukuni Shrine is the equivalent of my family's Buddhist altar." This was a letter to the editor from a 77-year-old man carried in the Mainichi Shimbun.

The letter writer has mixed up a Shinto shrine with a Buddhist altar. But the mix-up committed by this old man is only proof that, in the minds of many Japanese, it does not matter much whether Yasukuni Shrine is a Shinto or Buddhist institution. They seem to regard the shrine merely as a place of enshrinement for the souls of those who went down fighting for their country. Yasukuni Shrine is of course a Shinto institution. All memorial services at the shrine are conducted as Shinto ceremonies. But it would not be a surprise if some of the bereaved families attending the services were mumbling the Buddhist prayer of "nam amida butsu."

Yasukuni Shrine was built by the Meiji government as a place of repose for the souls of the war dead. It was an inexpensive but effective instrument of religion

and militarism to deepen the defense consciousness in the minds of the nation. And it succeeded beyond all expectations. The success was so total and complete that the shrine has been preserved to this day to serve exactly the same purposes it had upon its foundation.

A government of militaristic Japan built a politically-motivated shrine and told the nation that Japanese nationals who fell in battle would be enshrined there as gods. I do not see why the people swallowed such government publicity, however. I do not intend to criticize those who believe in what the government claims. It is a matter of religious faith, and we have freedom of religion in Japan.

But the individual's freedom of religion does not justify a prime minister's visit to Yasukuni Shrine. Needless to say, the Constitution prohibits expending any public money for a specific religion or religious institution. Under this constitutional provision, a prime minister's visit to Yasukuni Shrine is a violation of the

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Constitution. To get around the charge of unconstitutionality, past prime ministers visited the shrine "in a private capacity." Prime Minister Suzuki intends to follow suit.

Trickery

But a visit to the shrine by the incumbent prime minister to commemorate the end of World War II just cannot be considered a "private" affair. This is simply rhetorical trickery. All public officials, from the emperor and prime minister on down, owe it upon themselves to respect and protect the Constitution. Violating the Constitution and trying to cover it up by rhetorical technicalities amount to double violation of the supreme law.

The prime minister should not be doubly violating the Constitution. Past Liberal-Democratic prime ministers made up various excuses in personally paying homage at the shrine. By contrast, Suzuki has not even bothered to make an excuse. Moreover, the whole cabinet has adopted a "so-what?" sort of attitude on the issue, anxious to challenge any criticism. At a recent cabinet meeting, Education Minister Tatsuo Tanaka proposed that the cabinet members accompany the prime minister on his Yasukuni trip. Other cabinet members fell all over themselves to back Tanaka's move. It is a cabinet of ministers anxious to please the top man.

It is most becoming of a cabinet member to counsel against the prime minister's Yasukuni visit, because he is supposed to show respect for the Constitution more than he does for the prime minister. He may not be able to move Suzuki to the extent of canceling the scheduled visit. But he could at

least urge him to make the visit appear indeed a private affair by making the visit as inconspicuous as possible. The fact is the exact opposite, with the rest of the cabinet determined to follow the prime minister to Yasukuni in a grand fashion so that the show may acquire the air of formality. This is a measure of the cabinet members' understanding of the Constitution or their level of intelligence.

This cabinet of toads includes a man I used to work with when I was covering political news for the Mainichi Shimbun. The way I remember him, I would not be surprised if he was first to back the ill-considered and indiscrete proposition that the cabinet members follow Suzuki to Yasukuni.

This man of poor intelligence is now a minister of state, and what he does or even thinks gets amply reflected in politics and government on an official level. This is a tragedy for the nation.

The planned cabinet march to Yasukuni with full publicity is, after all, a show of arrogance by the ruling party because of its safe majority in the legislature. They have decided to challenge public criticism because they think they can get away with some excesses when parliamentary mathematics put them far ahead of all opposition parties combined.

The Liberal-Democratic Party has shown itself to be a group of imprudent and impudent politicians who readily and willingly forget about constitutional inhibitions the moment they win a safe majority in the Diet. And the government of this party is going to rule Japan for the next four years. It makes me shudder to think what kind of danger this can lead us to.

The earliest danger signal is

the coming group visit to Yasukuni Shrine by cabinet members. There are other signals, too. The party is dusting off the oft-aborted bill to restore state protection to Yasukuni Shrine. The government has agreed to allow an exceptional increase of defense costs in the next budget. The last cabinet, of Prime Minister Masayoshi Ohira, used to present modest defense budgets for fear of opposition pressure to revise the budget bill. The ruling party then had a razor-thin majority in the Diet. Having won a safe majority, the LDP government no longer seems to mind the opposition.

Priority To Defense

The government is now working on the next budget. A general policy has been set to limit the increase of appropriation requests from each ministry to 7 percent over the current level. But the defense budget has been made a high-priority item allowed to increase by a privileged 9.7 percent. In justifying the special increase of defense spendings, the government cites the need to budget the fund for the purchase of fighter planes from the U.S. and also the political consideration to respond to the American request that Japan increase its defense efforts. This is the first sign in postwar Japan that the defense budget is not subject to general budgetary restrictions.

It reminds me of the so-called "extraordinary military budget" that preempted the national treasury from the Japan-China War to the Pacific War. The "extraordinary military budget" was a lump sum request from the military which said the amount was

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necessary for national defense. Neither the cabinet nor the Diet were allowed to question the contents of the military spendings, which were claimed to be top secret that nobody outside the military should be allowed to know. The "extraordinary military budget" grew at the expense of nonmilitary appropriations and civilian welfare. Even in peacetime, the defense budget always has a potential of becoming the highest growth appropriation. We already see such a sign in the recent assignment of a special increase to the defense budget for next fiscal year.

Basic Difference

In Japan today, the opposition can freely ask questions about defense spendings when the budget bill comes before the Diet. This is a basic difference between today's defense budget and the "extraordinary military budget" of Imperial Japan.

In the present Diet, however, the Defense Agency can hold back on its reply to opposition interpellations and force the bill to a vote for surefire passage. This is the first time around in postwar Japan that the defense items have been given

preferential treatment in budget drafting. The priority, once granted, can addict the defense officials who will be craving for bigger fixes next time around, until the defense budget comes to assume the nature of the old "extraordinary military budget." We must realize that giving a safe majority to the LDP entails such a danger.

We often hear about the "establishment of purely defensive capabilities" and the "minimum defense requirements." But it has never been made clear what size defense force—in terms of money, number of troops, tanks, planes and ships—can qualify as a purely defensive capability or a minimum defense requirement. In the absence of the definition of what is minimum, the minimum in concept can be stretched into a maximum in practice.

As things stand today, we may well expect the defense budget to grow year after year with no ceiling in sight, very much in the way the past "extraordinary military budgets" kept growing. And, do we have to just sit back and watch the growth of the defense budget under the LDP government?

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MILITARY

'MAINICHI' CRITICIZES DEFENSE WHITE PAPER

Tokyo MAINICHI DAILY NEWS in English 7 Aug 80 p 2

[Editorial: "Defense White Paper"]

[Text] Ignited by the Soviet invasion of Afghanistan, tension has mounted between the United States and the Soviet Union. In particular, the worldwide Soviet military expansion has prompted the United States and the North Atlantic Treaty Organization (NATO) to reorganize their military capabilities.

Under such circumstances, the United States has stepped up its demand for increased Japanese military expenditures, and public attention here has been increasingly attracted to this specific issue. It is certain that Japan's policy of maintaining peace and security is now involved in an important situation.

After reading the "White Paper on Defense" which was made public Tuesday, we thought that by and large it was not adequately prudent. The white paper did not answer questions which the public are concerned about and we wonder if it may cause further anxiety.

This year again, the white paper emphasized the expansion of the Soviet military which, together with the relative decline of American military influence, now threatens the Western bloc. The heaviest emphasis was placed on the importance of increased defense efforts by Japan "as a member of the Western nations."

The white paper exposed our "frail Self-Defense Forces" with the obvious aim to speed up the current defense buildup plan. In other words, the "member-of-the-Western-bloc" concept was used as justification for gaining a larger share of the state budget for defense purposes.

We are concerned about the effect of those words—"member of the Western bloc." We fear the possibility that Japan may remove its self-applied

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military restrictions and become part of a "community bound by a common fate"—the United States and NATO.

It is quite natural for Japan to promote cooperation with these nations for the attainment of peace and prosperity, but concerning security, Japan must follow a different course from those nations. We believe that the white paper paid little attention to this aspect.

A glance at the world military situation indicates a further expansion of military strength. The Soviet Union, since the 1960s, has persistently expanded its military strength, which threatens the West. It has increased the number of its ICBMs with multiple warheads and improved their precision. It has deployed SS20 missiles and long-distance Backfire bombers and expanded its naval capability, and can now airlift ground forces to distant places.

The United States has been coping with the situation by developing new MX missiles, deploying Pershing II and cruise missiles in Europe, and has been readying rapid deployment forces. NATO forces have also been strengthened.

What we wanted in the white paper was not such second-hand stories but an analysis and appraisal from the long-range viewpoint. Referring to the Soviet military expansion in the Far East, the white paper termed it an "increased potential threat." Instead of creating a sense of crisis by exposing the deployment of Soviet forces in the region, the white paper should have informed us of the Soviet capacity to implement its strategy.

The white paper said that Japan must maintain a "minimum" capability which, we believe, will change both quantitatively and qualitatively vis-a-vis the changes in the world military situations and the development of military technology.

When we hear government officials calling for Japan to increase its defense capability, we have the impression that they are just following American world strategy. We think it dangerous for Japan to believe that it must spend one percent of its gross national product on defense.

The white paper should have clearly explained the degree of "minimum" capability to maintain peace and security. Japan cannot follow the American or NATO way of thinking regarding its security because of its constitutional restrictions and heavy reliance on overseas energy and resources.

What we need now is not a defense white paper which emphasizes military aspects but a "security white paper" which looks at this problem from a wider viewpoint.

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ECONOMIC

'MAINICHI' ON FY 1980-81 ECONOMIC FORECAST

Tokyo MAINICHI DAILY NEWS in English 12, 13 Aug 80

Two part article on economic growth

12 Aug 80

Text Editor's Note: Japan's economic growth will stand at 4.5 percent in real terms in fiscal 1980 ending in March next year, according to a prediction made by the Mitsubishi Research Institute, Inc. MRI has released an economic forecast for fiscal 1980 and 1981, a semiannual report the institute has been issuing for the past several years.

For the interest of our readers the MDN will carry the report in two installments on this page.

1. Supply-demand outlook for oil in the free world

In calendar year 1980, total production of oil by OPEC members is expected to remain at the depressed level of 27.25 million barrels per day (MBPD). Major factors contributing to this low production outlook are: (1) the anticipated decline in Saudi Arabian production (down from the current level of 9.5 MBPD to the more normal 8.5 MBPD) which is likely to begin from the October-December quarter of the current year, (2) that recovery of Iranian production seems unlikely to be forthcoming for some time yet. For the free world as a whole, average production in 1980 is placed at 45.50 MBPD, a decline of 11.5 percent against calendar year 1979.

Meanwhile, as a result of (1) slowdown of business activity in the U.S. and other major industrial economies overseas and (2) the effect of conservation efforts, free world oil consumption is also expected to post a decline of some 6 percent in 1980. However, the consumption level itself is expected to stand at 46.60 MBPD, outpacing the level of production by a little over one million barrels per day.

Thus, even if a reasonable volume of imported supply were to be assumed from the Communist area, excess of supply over consumption for the year would amount to no more than 0.9 MBPD. This would imply some tightening of supply-demand conditions towards the autumn and winter months, when a seasonal in-

crease in consumption is to be anticipated.

Following the agreement reached at the OPEC general meeting at Algiers, there will probably be another flurry of oil price (government selling price basis) increases in the coming months. However, (1) since the possibilities of a serious tightening of demand-supply conditions during the remaining months of the current year seem low, (2) stock levels are high in most industrialized countries, (3) Saudi Arabia appears to remain firm in its resolution to unify OPEC price levels, it appears unlikely that OPEC members will aim at unreasonably large price increases within the current year.

The most likely course would be for all prices to fall within the range of \$32-37 per barrel agreed on at Algiers by the start

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of 1981. Assuming these developments, average selling price of OPEC oil is expected to stand at \$31.62 per barrel for 1980 and \$35.6 per barrel for 1981. The 1981 level would assume a 10 percent increase at midyear.

2. The world economy and the world trade outlook

Due to the United States recession and a general slowdown of economic activity in the major European countries, the world economy is expected to meet with the most serious setback experienced since the recession following the first oil crisis. Real term economic growth for the six major OECD countries (the United States, Canada, United Kingdom, West Germany, France and Italy) in 1980 is projected to average at a negative 0.9 percent. Depressed conditions are expected to continue into early 1981, and growth rate for the six major countries is expected to remain at minus 0.02 percent for the year.

On the other hand, industrialized countries are uniformly suffering from strong inflationary pressures brought on mainly through repeated increases in OPEC crude oil prices. Average consumer price increase for the six major economies is expected to reach 12.6 percent in 1980. For CY1981, the rate of consumer inflation in these six countries is projected to average at a little below 10 percent, a deceleration against 1980 but by no means a low rate of increase.

Owing to depressed conditions in the major industrialized countries, world trade is expected to lose momentum towards the latter half of 1980. However, as relatively high rates of expansion were recorded in the earlier months of the year,

average growth for the whole year is not expected to fall below 2 percent. Conversely, even though gradual recovery of world trade growth (along with the pickup in business activity in the industrialized countries) is expected in 1981, the slowdown anticipated in the latter half of 1980 will work to hold down the annual average rate of expansion in 1981 to no more than 2.3 percent.

3. Current trends in the domestic economy

From the January-March quarter of 1975 to the same quarter of the current year 1980, expansion of the Japanese economy has now lasted for a record 60 months. Although the economy did experience a brief but relatively serious slowdown in the second half of 1977, this has nonetheless been the longest period of expansion ever recorded in Japan's postwar business cycle history.

The period leading up to the first half of fiscal year 1978 was a time of stock adjustment for the economy. Throughout this period, industries were compelled to make painful efforts in order to adjust to the more slower rates of economic growth. Exports and government spending were the main factors of growth during this period.

From the latter half of fiscal 1978, private investments began to regain strength and personal consumption also began to keep up a stable rate of increase. Thus, the economy was able to realize the long-awaited pattern of expansion led by the domestic private sector. In the following FY1979, in spite of the outbreak of the Iranian revolution and the resulting confusion in world oil markets, the Japanese economy posted a real term growth rate of 6.1 percent. Major components of growth were personal consumption expenditure (5.0 percent) and private in-

vestments (13.0 percent).

The trend of strong domestic sector activity has been carried over into the current fiscal year and sustained by the facts:

- (1) That private investments have now entered the upward phase of a new medium-term cycle; and
- (2) That operating rates of manufacturing industries have reached 90 percent of production capacity and corporate profits are running at high levels.

Therefore, the economy is now enjoying a strong and healthy course of expansion.

Moreover, business inventories have been kept down to optimum levels and there is no apparent sign of speculative stockbuilding to be detected. From this viewpoint also, the current expansion seems yet to reach a stage of maturity. Hence, in the absence of external distortions, the Japanese economy is still potentially capable of 6-7 percent real term growth.

On the other hand, however, some of the effects of recurring oil price increases still remain unabsorbed. The adjustment process ought to be shorter and less painful compared to the situation following the first oil crisis in that:

- (1) Growth expectations of business have not shown signs of falling and therefore stock adjustments of the type that occurred after the first oil crisis are unlikely to be repeated;

- (2) Moreover, the new medium-term investment cycle will ensure a steady increase in private sector outlays for plant and equipment.

Nevertheless, adjustments of some sort will obviously be unavoidable. The process ought to follow the normal pattern of adjustment towards a decline in the terms of trade, and the household sector is likely to suffer a comparatively heavy loss of purchasing power through this process.

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13 Aug 80 p 57

(This is the second and last installment of the Mitsubishi Research Institute economic forecast.)

4. The economy in fiscal 1980

In spite of the strong growth potential still evident in the economy, deflationary pressures stemming from sustained inflation are expected to come to the fore in the latter half of fiscal 1980. In the two final quarters of FY1980, Japan will be entering the final stages of its adjustment to the second oil crisis.

Final demand is expected to suffer a substantially severe setback in the latter half of FY1980. Main factors causing this downfall are expected to be:

(1) A decline in real incomes and a consequent slowdown in personal consumption.

(2) A pause in the increase of private investment which had been running ahead of schedule in the earlier months of the year.

(3) A slowdown in exports owing to weakening business conditions abroad.

Fearing an unwanted buildup of inventory, some industries have already begun to trim down their stock levels. Meanwhile, final demand has shown unexpected strength throughout the first six months of the current fiscal year.

Consequently, inventory investment has so far been on a declining trend. However, as the year progresses, adjustment efforts will tend to fall behind the decline in final demand, so that an unwanted accumulation of stocks seems unavoidable in the latter half of

the year. Although the size of this unintended buildup of inventory shouldn't be large, the earlier months of fiscal 1981 will still have to be spent on liquidating these unwanted stocks.

As a result of these developments, real term GNP is expected to follow a negative path in the latter half of FY1980. The annual average growth rate is expected to decelerate from the 6.1 percent recorded in FY1979 to 4.5 percent in FY1980. On the other hand, the growth rate of nominal GNP is projected to increase to 11.6 percent in FY1980 as against 7.4 percent in FY1979.

Thus, in the wake of the U.S. and the major countries of Europe, Japan is expected to enter a period of stagnant economic activity. This will mean a simultaneous slowdown for Japan, U.S. and Europe for the first time since the global depression following the first oil crisis.

Meanwhile, inflation remains the most serious domestic policy concern. The central problem for inflation fighters is the pass-through of the price increases of oil and other imports to domestic price levels.

Even though prices of intermediate and final goods are still likely to show some upward pressure in the coming months, wholesale inflation appears, on the whole, to be reaching its peak. On the other hand, consumer inflation is expected to maintain substantial strength into the autumn months. As a result, personal income will continue to decline in real terms on a quarter to quarter basis.

In regard to the external balance, exports are expected to lose momentum in step with

the slowdown in business activity abroad. However, their nominal value will still be quite large and customs exports are expected to reach 131.5 billion dollars, an increase of 23 percent over FY1979.

As for imports, slowdown in the inflow of manufactured goods and raw materials should work to offset some of the rise in oil imports. Total imports in customs value is expected to increase by 20.5 percent and stand at \$145.1 billion. Thus, Japan's IMF-based trade balance is expected to post a small deficit and this combined with an increase in the deficit in invisibles is expected to result in a deficit of \$13.4 billion at the current account level.

5. Sluggish growth but a recovery in sight for fiscal 1981

As already mentioned, the period of adjustment towards the second oil crisis is expected to be short-lived. The adjustment process will last for only the two final quarters of fiscal 1980 and the economy is expected to recover an upward path from the outset of FY1981. The decline in real GNP during the two quarters of adjustment is expected to be a mere 1.6 percent (for industrial production the decline is projected to be slightly larger at 2.4 percent). The whole process of adjustment is likely to be more of a pause in the path of expansion rather than a period of recession.

However, inventory liquidation is expected to be carried over into the first half of FY1981. Hence, some of the feel of the recession ought to remain with the business sector up to the summer months.

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However, even this is not expected to be a serious problem for the economy since:

(1) The pickup in final demand is expected to be quick, and shipments accordingly ought to be relatively active from the spring months on;

(2) The pickup in capacity utilization and the accompanying recovery of labor productivity is also expected to be rapid.

Contrary to the situation following the first oil crisis, main contributing factors to the recovery this time are expected to be the two major components of domestic final demand, namely personal consumption expenditure and private investments.

As (1) drastic cuts in employment are not to be foreseen during the period of slowdown and the employment situation on the whole ought to be on an expanding trend throughout the forecast period, and (2) real incomes are expected to regain an upward path along with the rapid slowdown anticipated in the rate of inflation, personal consumption is expected to grow by 4.3 percent, a rate comparable to that posted in FY1976 (4.4 percent).

Regarding private investments:

(1) Steady growth of replacement spending is expected to be a sustaining factor;

(2) The need for spending on energy-conservation and

rationalization is high; and

(3) The rate of capacity utilization is expected to recovery rapidly.

Given these factors, growth in private investments is expected to gain speed rapidly as the year progresses.

On the other hand, handicapped with a large budgetary deficit, the government sector is expected to be a drawback to the domestic economy for some time to come. Given sluggish business conditions abroad and fears of mounting protectionist tendencies, exports also cannot be expected to play a major role in leading the expansion. Hence, if the domestic private sector were to lose momentum, the Japanese economy will no doubt be faced with a very difficult situation. Viewed from this angle, it may be said that it was to our fortune that:

(1) The recent oil crisis came just as the Japanese economy itself had passed through the last stage of its stock adjustment process;

(2) New products and new technology are in the process of being introduced into the economy with the electronics industry as the major leading force;

(3) So that as a result, private sector investments are expected to be a strong sustaining force of growth and the leading factor of recovery.

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ECONOMIC

PUNISHED FOR HELPING FREE ECONOMY

Tokyo MAINICHI DAILY NEWS in English 5 Aug 80 p 4

["Zooming-In" column by Nideo Matsuoka]

[Text]

On Monday night last week, NHK TV broadcast a program called "If Japan Can ... Why Can't We?" It was based on an hour-and-a-half program produced by America's NBC, and edited by NHK with its own shots of some domestic scenes. It showed the inroads into the American market being made by Japanese products, and told about the high-technology development and the high level of productivity that are behind the Japanese exports to the U.S. Evident throughout the program is NBC's intention of asking Americans why America cannot achieve what Japan has achieved? In a sense, it was a warning, too.

With the economic development of Japan, American and European media increasingly began to carry reports on Japan. Ezra Vogel's *Japan As No. 1*, published last year, was just another book of Japanology.

Japanese cars, electronics, cameras, watches and other products have established themselves on the world market. This, in the Japanese

view, should rouse the interest of the world's people in Japan, making them eager to know about Japan. They would want to know about Japan's success story. There would naturally be a Japanology boom in America and Europe.

Nothing can be farther than reality. The average people in America and Europe are not particularly interested in Japan, and they do not intend to be.

If the Japanese domestic market is invaded by products of a foreign country just as foreign markets are by Japanese industries and their products, the Japanese would spare no effort in studying that foreign country to find out the secret of its trade success and to put up better competition.

Education

Since the Meiji Era, Japan has avidly learned from the West, although the learning was not necessarily gainful. The study covered not only the technologies of the West, but history, industry, culture of the United States, Britain, France, Germany and other Western

countries. These subjects were taught in classrooms. Whenever I look at the questions of Occidental history in university entrance examinations, I am surprised by the amount of knowledge the Japanese students are required to have about Occidental history for entering universities. Attention to details and accuracy of chronological memory are required.

By contrast, foreigners' knowledge of Japan is poor, to put it modestly. Japan is still a far away and exotic country to them.

The television program mentioned earlier in this article was broadcast in America in prime time, but recorded a low audience rating of 9 percent. Some note that the rating was low but the audience was of high quality. Still, it shows that Japan is not a subject of great interest to the American public. *Japan As No. 1* sold 500,000 copies in Japan and a paltry 5,000 in America, a phenomenon that does not fail to strike anybody as odd. As long as there is this type of interest gap or intelligence gap between the

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Japanese, on the one hand, and Americans and Europeans on the other, the latter will not be adequately prepared to deal with Japan.

Wilkinson's Book

A book which poignantly takes up this aspect in the West's relations with Japan is Endymion Wilkinson's *Misunderstanding* (the Japanese translation by Takao Tokuoka having been published recently). It explains Europe's misunderstandings about Japan from many angles, and calls for proper remedies.

Here, I will not cite every interesting point raised in this book. One such point concerns the problem of presence and representation Japan has in EC countries and those EC countries have in Japan. Japanese companies have more than 500 offices in EC countries, and those of big Japanese trading companies alone have more than 6,000 Japanese posted there. Every year, tens of thousands of Japanese businessmen visit Europe.

By contrast, as of 1974, the number of European businessmen stationed in Japan is not much different from that in the 16th Century. The number of long-stay visas issued by the Japanese government to European businessmen is fewer than those issued to European missionaries. The difference in the size of personal representation eloquently bespeaks of the lopsided trade balance between Japan and the EC.

How does a trade traffic come to be an overwhelmingly one-way affair? It is when one party to the trade far excels the other party in (1) technological development and the courage to invest to take advantage of that

development; (2) corporate management in quality control, sales system and after-sale servicing network and (3) quality of labor. Japanese products are high in these elements. This is why Japan can supply quality products at low prices.

New American cars usually have a breakdown of something or some trouble within a month of their purchase. Japanese cars are trouble-free for more than a year after purchase. There can be no meaningful competition between cars of such qualitative difference. The decline of the American auto industry may be due, up to a point, to the management decision to stick with big-car production even while gas prices went on a steep climb. But what really counts for the downturn must be the matter of quality.

Free Economy

The principle of free economy is to sell goods of as high a quality at as low a price as possible. As long as one acts according to this principle, one is not supposed to be impugned for doing so in a free economy. But this supposition seems now to be crumbling. *Misunderstanding* cites the wine war fought between Italy and France several years ago. Italian wine then was flooding into France. Representatives of angry French farmers stormed into the EC headquarters to protest the inroads of Italian wine into their country, citing two intolerable shortcomings of Italian wine—good quality and low price.

Japanese cars, color TV sets, cameras, watches all have these two unacceptable short-

comings. The United States cannot afford to cede the camera and watch industries to Japan, but not the auto industry. Not only in America but in many others, auto manufacturing is a showcase industry of considerable value to the national economy. The inroads by Japanese automobiles threaten the national economies of importing countries. They are tempted to think Japan is exporting unemployment. This is why high quality and low price are two unacceptable shortcomings.

If American goods overrun the European market for their high quality and low price, Europe would not let out so much cry of anguish as they currently do against Japanese imports. Nor would America make so much fuss about inroads by West German cars as it does about the inroads by Japanese cars. Both Americans and Europeans are intolerant of the high quality and low price provided by the Japanese because they consider the Japanese to be a "different breed." They would get even madder at us if we tell them to reform their own industrial structures so they can compete better against Japanese products.

Both Toyota and Nissan have been pressured into building car assembly plants in the U.S. much against their will—a big folly involving tremendous investments. There is a good cause to doubt that these companies can bring their own management technologies into the U.S. Their biggest worry is about the quality of American labor. Japanese business managers have never openly made any critical remarks about the quality of American

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labor because to do so is very impolite. Such criticism could trigger a charge of racial discrimination. Deep in their minds, however, Japanese executives are nursing anxieties.

Japanese executives are aware that their businesses are benefiting from the high quality of Japanese labor. Loyalty to the company and pride in the work are the characters of the Japanese worker. Japanese executives must be glad they have such labor to depend on. Japanese automakers can easily build assembly plants in the U.S., but they cannot readily change the thinking of the American worker. He too has loyalty to the company, but his loyalty, which is strongly ego-oriented, is distinctly dif-

ferent from the Japanese worker's loyalty.

But we must remember that a weak America is not in Japan's national interest. We stand to suffer from the weakening of America. We want America to stay a strong leader of the Free World. A certain degree of American prosperity is vitally required for the health of the world economy. For this reason, Japan will be doing itself a disservice by mercilessly overrunning the American market. When its domination of the American market goes beyond a certain extent, Japan will have to rein in its export activities even if they are right along the free economy's trading principle of providing quality goods at low cost.

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ECONOMIC

'SECRETS' OF JAPANESE HIGH PRODUCTIVITY ATTRACT VISITORS

Tokyo THE DAILY YOMIURI in English 10 Aug 80 p 2

/Text/

The Japan Productivity Center (JPC) is flooded with visitors from numerous countries as Japan's secrets of increasing productivity attract the attention of these countries. Many of the visitors were once Japan's teachers in its course toward industrialization.

The JPC is a government-subsidized foundation which was established in 1955 to lead the van of Japan's productivity drive.

Provided with huge funds from the business world, it engages in a wide range of researches, giving advice to industrial companies on how to enhance productivity.

Visitors after May 1 included surveyors and inspectors from France, Finland, the US, China, Israel, South Africa and Australia. Officials of the French National Enterprises Foundation and those of the Chinese National Economic Committee are scheduled to visit the center after September 1.

Many visitors are Americans since US business remains stagnant, and Japan, a former US student, has apparently surpassed the US

in many industrial fields. The situation is remarkable in that the US had been leading the world in both productivity and technical know-how until the middle of the 1960s.

Officials of the Japan Productivity Center reported that the US was increasingly concerned about Japan's high productivity. They pointed out that National Broadcasting Corporation (NBC), one of the three largest radio and television networks in the US, recently aired a program called "If Japan Can, Why Can't We?"

The JPC's US office sponsored a seminar in New York last May, which was a big success.

Under-secretaries of the Department of Labor and other US Government offices and a 10-member mission comprising representatives of labor and management of Westinghouse, a leading electric equipment maker, were among those who recently visited the center's head office in Tokyo.

Visitors from France are also increasing. They have included officials of man-

agerial posts of a major concern and factory chiefs from Peugeot Company.

These visitors from foreign countries are mostly concerned with labor-management relations and systems for quality control, two factors responsible for Japan's high productivity.

They are impressed by close labor-management relations and voluntary participation in quality control by employees. Numerous groups for quality control have been formed at work-shops where problems are solved through consultations between labor and management.

"Obvious excessiveness in individualism is responsible for low productivity in Europe," French visitors remarked after visiting the center.

They also said that they were impressed by the life employment and seniority systems since employees are relieved by these systems, which in turn closely tie them to their companies.

Labor unions in Japan are also positively cooperating with management in trying to realize production goals set by individual enterprises, the visitors also remarked.

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ECONOMIC

PLAN SUBMITTED ON AUSTRALIAN URANIUM PLANT

Tokyo THE DAILY YOMIURI in English 10 Aug 80 p 4

/Text/

Japan has submitted a concrete plan for a joint Japan-Australia project to build a commercial uranium enrichment plant in Australia using the centrifugal process now being developed by Japan's Power Reactor and Nuclear Fuel Development Corporation, government sources said Saturday.

They said the plan was given to the Australian side at a meeting held in Sydney Thursday to study possibility of joint undertakings by the two countries for uranium enrichment.

Japan and Australia started negotiations in 1976 on the conducting of a joint project for building a uranium enrichment plant on a commercial basis.

They agreed in 1978 that there is possibility of the project being carried out.

The latest in the series of consultations was held to study further detailed matters concerning the project.

The Japanese proposal made Thursday was indicated as a study plan of the Power Reaction and Nu-

clear Fuel Development Corporation.

Australia possesses the world's third largest deposits of uranium but development of the resources has not been commenced on a full-fledged basis as yet.

Australia already has made known its policy of exporting uranium not as an ore but in the form of enriched uranium, whose added value is higher.

The country is also holding consultations with two enrichment firms formed by West European countries as well as with the US on the possibility of engaging in joint undertakings with them on enrichment of uranium.

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ECONOMIC

AUTOMAKERS TO INCREASE INVESTMENTS IN AUSTRALIA

Tokyo THE DAILY YOMIURI in English 11 Aug 80 p 4

[Text] *Three Japanese automakers, Toyota, Nissan and Mitsubishi motor companies, are planning significant new investments in their Australian operations, according to Australian Industry and Commerce Minister Phillip Lynch.*

Lynch, who left Tokyo for Manila Friday after a three-day visit, met separately with the presidents of the three automakers. He also met Prime Minister Suzuki, Foreign Minister Ito and International Trade and Industry Minister Rosuke Tanaka during his stay.

Saying that he was encouraged by the confidence being shown at the highest levels in the three auto companies, Lynch said, "Australia is the area of largest investment by the Japanese vehicle industry in overseas manufacturing operations.

"Vehicles designed in Japan now account for over half of the passenger vehicle sales in Australia either as imported vehicles or as high local content manufactured Australian vehicles."

On the investments of the three car firms, he said:

"Between them Toyota,

Nissan and Mitsubishi have committed an investment of about A\$300 million in their Australian facilities during the past five years, and each is planning further investment despite heavy pressure from many other countries for additional Japanese investment in motor vehicle production capacity."

"Nissan is planning to spend A\$100 million in Australia in the period to 1985. Much of this expenditure will be directed towards introducing a new engine and panel pressing facility. Nissan's output of engines and body panels will be both exported and used in domestic production of vehicles.

"Toyota is planning to invest more than A\$80 million in Australia over the next two years. Investment intentions beyond 1982 are currently under consideration at senior management level.

"Mitsubishi Motor Com-

pany is planning investment to the order of A\$150 million over a seven-year period from 1980, and is currently examining the operation of Chrysler Australia in South Australia following their recent purchase of the company. However, senior executives of the company have assured me that on the basis of present market trends the existing employment levels will be maintained."

The minister said he hoped there could be cooperation in the future in manufacturing developments between Japan and Australia in supplying cars and components for markets in the Asia/Pacific region.

Lynch said that in early 1981 the government would be considering the question of motor vehicle manufacturing policies for the period after the present motor vehicle manufacturing plan expires at the end of 1984.

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ECONOMIC

GOVERNMENT REVEALS EXPANDED SHIPBUILDING PROGRAM

Tokyo THE DAILY YOMIURI in English 11 Aug 80 p 4

/Text/

The Transport Ministry Saturday decided to construct ships totaling 1,700,000 gross tons as well as four LNG (liquefied natural gas) carriers under the annual government-sponsored shipbuilding program in fiscal 1981.

The government-operated Japan Development Bank will extend loans totaling ¥179 billion to the shipping lines taking part in this program.

The Transport Ministry said it intended to have all ships to be constructed under the program covered by the "interest differential subsidy," a subsidy to help shipping lines pay interest on commercial bank loans.

The building framework under the current fiscal year's government-sponsored shipbuilding program is 1 million gross tons plus three LNG carriers and the interest differential subsidy cover 700,000 gross tons and the three LNG carriers.

The Transport Ministry earlier decided to construct 1 million gross tons every year from fiscal 1979 under the government-sponsored

shipbuilding programs in line with an "emergency plan for ocean-going fleet expansion."

The ministry has expanded the framework for fiscal 1981 to 1,700,000 gross tons in response to an upsurge of shipbuilding demand among shipping lines.

The increase in shipbuilding demand is attributed to the aging of ships constructed during the high-rate growth period of the Japanese economy. The Japanese merchant tonnage now is in need of rejuvenation.

Eleven ore and coal carriers aggregating 700,000 gross tons are included in the tonnage to be constructed in fiscal year.

The Transport Ministry started the emergency fleet expansion plan because shipbuilding demand declined during the shipping de-

pression after the first oil crisis and also because the soaring wages of Japanese seamen made Japanese shipping lines more inclined to charter foreign ships.

Believing that Japanese-flag ships should constitute the core of the fleet carrying trade goods for Japan, the ministry has started the emergency plan and revived the long dormant interest differential subsidy.

The tonnage constructed under the government-sponsored shipbuilding program was 160,000 gross tons in fiscal 1976, 250,000 gross tons in fiscal 1977 and 300,000 gross tons in fiscal 1978.

The ministry believes construction of 2.5 to 3 million tons a year on a scrap-and-build basis is indispensable to keep the Japanese merchant fleet of 33 million gross tons internationally competitive.

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ECONOMIC

JAPAN'S BIG AUTOMAKERS FARM OUT WORK

Tokyo THE DAILY YOMIURI in English 11 Aug 80 p 5

/Text/

Toyota and Nissan, Japan's top two carmakers, are now second and third in the world behind America's General Motors. They turned out more than 3 million vehicles in the first six months of 1980. But one out of every three vehicles with a Toyota or Nissan label is being assembled by other companies.

Japan's big two are the only companies in the Japanese motor industry to farm out assembly. Toyota, which subcontracts more assembly than Nissan, uses seven companies. Nissan at least four.

All subcontractors work for only one of the big motor companies, although two—Daihatsu and Fuji Heavy Industries—also make their own cars.

The biggest subcontractors operate much like extra divisions of the parent company—which usually holds some shares in them.

Toyota Auto Body will assemble 420,000 trucks and cars for Toyota this year: 300,000 light trucks, and the rest in small production runs of two-door models, of which Toyota Auto Body is the sole manufacturer.

The company makes the bodies for the cars, sells them to Toyota and charges a fee, negotiated with Toyota, for assembly. Finished

vehicles are collected from the end of the assembly line by Toyota Motor Sales.

Toyota Auto Body's production plans depend on orders from Toyota's motor sales. When these orders are strong, subcontractors take on extra work.

Assembly of the Corolla, Toyota's top-selling model in the US, was shared last year between (a) one of Toyota's own assembly plants, which built 73 percent of the Corollas; (b) Kanto Auto Works (48 percent owned by Toyota), which built 18 percent of them; and (c) Toyota Automatic Loom (20 percent owned by Toyota), which built 9 percent.

Some extra ad hoc contracts are also made to ease the load on particular hard-pressed plants. Toyota Auto Body is building a handful of four-door Toyotas. The heavy-truck maker Hino, in which Toyota has an 8.5 percent stake, last year assembled 18,500 Carina cars alongside the 230,000 light trucks it made for Toyota.

Toyota Auto Body says it has to make its own decisions on investment. It has no long-term contracts with Toyota, the source of 90 percent of the company's income. But the company says it can trust Toyota not to cut orders from contracting assemblers harder

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than its own production when demand falls.

Both big makers try to spread the work evenly among their main contractors. Nissan Shatai got a one-year contract early this year to build small Nissan cars when orders for the Nissan sports car it produces went soft.

The big assemblers, and strong car component companies, reckon that the major carmakers benefit from profitable subcontractors who grow fast and so make cheaper products.

Although a junior partner to Toyota, Toyota Auto Body has worked two shifts plus overtime for several years. So have Toyota's Karbo Auto Works, and Nissan contractors Aichi Machinery and Nissan Shatai.

Wages in these big con-

tractors are as high as in the parent companies, but profitability is much lower. For the past five years Toyota and Nissan have made profits (as a proportion of total sales) three to four times higher than Toyota Auto Body, Kanto Auto Works and Nissan Shatai.

By farming out their assembly, Toyota and Nissan have helped two of the smaller among Japan's 11 motor producers to hang on to their tiny shares of the market.

Fuji Heavy Industries, which makes 75 percent of its sales income from cars, produces coupe versions of Nissan's popular Sunny model for export, on the same assembly line that turns out Subaru cars. The extra 25 percent production volume from Nissan cars helps to keep Subarus cheap.

The Economist

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ECONOMIC

'RAISE CHRYSLER TO JAPANESE STANDARDS'

Tokyo MAINICHI DAILY NEWS in English 10 Aug 80 p 5

[Article by Ann Nakano]

[Text]

ADELAIDE, Australia — Chrysler's new Japanese masters at the Adelaide plant of Chrysler Australia Ltd. have inherited two major problems: low quality of worker and low quality of product.

In an exclusive interview, Naoshi Ichikawa, 67, who heads the seven-member Japanese team representing Mitsubishi's interests at the Chrysler plant, said: "We came here to raise the level of competitiveness at Chrysler to a standard somewhere nearer that of the Japanese. But because of the low quality of the product and the general low quality of the workers our plans are making slow progress."

"I am not trying to put the Australian worker down by saying this. Because our employees at Chrysler have proved their loyalty. They are honest and conscientious and many of them have a long employment record with the company. But unlike in Japan, where we have a highly

educated, homogenous team with experience on every part of the production line, in Australia we are faced with 30 different nationalities among the workers, some of whom cannot even read or write English.

"We are trying to teach the Australians the benefits of built-in quality control, but progress is slow. One of the reasons for this is the communication gap we are experiencing with the Australian executives, and this is one thing we have to overcome ourselves. The communication gap often leaves me feeling very frustrated."

"But we are trying. In Japan we have company unions, whereas in Adelaide I have to negotiate with no less than seven unions, but so far our relations with the unions have been good, they are being very cooperative and realize we are trying to establish job security for the existing employees. I believe they are behind us in our efforts."

"Essentially, we have many

problems. First of all the supply industry could almost be described as primitive. There aren't enough suppliers or vendors, and those we have sell us a low quality product. There is a big technological gap between Australian suppliers and the network of subcontractors we have in Japan. Hopefully we can foster this industry, and the suppliers will learn to improve their products to a standard we Japanese demand. I am sure they could learn from us."

"Unfortunately it is not possible for us to import the parts from our Japanese plants because in Australia the law is that 85 percent of the finished product must be of local content, and already we are providing the remaining 15 percent in sheet metals, carburetors, outer panels and crankshafts. So Australian suppliers and vendors have to get organized and invest large amounts of money in their industry. We are willing to give them advice on this."

"The second problem we are

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facing in improving the operations of the plant is that the plant is too small to introduce full-fledged automation. It's not economically feasible for us to put more money into this because quite frankly the market is not there. From a country-wide viewpoint, an increase in the market is unlikely because of limited population and the slow growth of that population. In this company we have to increase our market share by our efforts to become more competitive. Before we took over this company, Chrysler had already made great efforts to increase production, but there is still room for improvement.

"I can't overestimate the importance of a good production line, and we are hoping to introduce a Japanese-style rotation system to give Australian workers the opportunity to work for six months or so on each part of the production line. If we don't do this, how can we have any flexibility? And later the workers will find that increased production will ensure job security.

"But our plans very much depend on the economic situation in Australia, the future of which at present appears to be sluggish. If total demand falls, retrenchments will be inevitable, and we have explained this to the union leaders. It's a political problem."

Is there any truth in the rumor currently spreading in Australia that before the

takeover Mitsubishi laid down the condition that Chrysler would retrench 2,000 workers, of which 1,500 have already been fired?

"Retrenchment was certainly not a condition of taking over, and no order or directive of that nature was given by Mitsubishi.

"Chrysler began getting rid of people in 1977, long before the takeover, so retrenchment would have occurred anyway. At present we have exactly the right level of manpower, if not enough. If the market goes up then we can hire more workers, but right now we are not planning to do any hiring, only to improve the quality of the workers.

"So far, our Sigma car is selling extremely well and if we can improve the production line we will be ready to phase in the Mirage, which is already selling well in Japan. But the workers must change their attitude before we can do this. In Japan, our employees look at a product with an eye to making it perfect. We demand the same from our Australian employees, but of course this will take time.

"Currently it is taking far too long to deliver, although orders keep coming in for our Sigma. Production can't affect sales, but sales can affect production so we need to immediately increase production at least to a level where we can eliminate the problem of stock shortage."

And finally, while we are being so frank, it does not seem impertinent to ask Ichikawa what kind of car he drives.

"A Honda," he replies, deadpan.

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ECONOMIC

JAPAN TO BUILD STEEL COMPLEX ON MEXICO'S PACIFIC COAST

OW251133 Tokyo MAINICHI DAILY NEWS in English 23 Aug 80 p 5

[Article by Michio Takimoto, MAINICHI Correspondent]

[Excerpts] Mexico City--The Japanese and Mexican governments reached an agreement to construct a large-scale iron and steel complex in the Las Truchas district on the Pacific Coast of Mexico, Mexican sources disclosed Thursday.

The Japanese government mission, composed of officials from the Ministries of Finance, International Trade and Industry, and Foreign Affairs, left Japan on 11 August. Wednesday they reached an agreement on the steel projects with their Mexican counterparts composed mostly of Sepafin (industry promotion ministry and finance ministry) officials. The Japanese mission left for Japan Thursday.

According to negotiation sources, the two countries reached full agreement on two of the three steel projects. On the third project, the Mexican side expressed its intention to hold international bidding.

One of the projects agreed to is the construction of a large-diameter steel tube plant capable of producing 15,000 tons a year at a cost of 30,000 million yen. The other is the construction of a steel casting and forging plant capable of producing 50,000 tons annually at a cost of 60,000 million yen.

The two governments agreed to promptly set up joint ventures and start construction.

The steel tube plant project will have the participation of an investment company to be set up by Sumitomo Metal Industries, Ltd, Sumitomo Corporation and others. The investment company will have a capital of 5,200 million yen.

The steel casting and forging plant project will have the help of an investment company to be set up by Kobe Steel, Ltd. and others. The investment company will have a capital of 5,800 million yen.

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The governmental overseas economic cooperation fund will make an investment of 30 percent in those firms.

The Japanese companies involved will sign the agreements to set up joint ventures with the Mexican parties, Nafinsa (State Development Financing Corp.) and Sidermex (State Steel Corp.) in Mexico next week.

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ECONOMIC

JAPAN, PRC SIGN ACCORD IN BEIJING ON FERTILIZER TRADE

OW221439 Tokyo JIJI in English 1341 GMT 22 Aug 80

[Text] Tokyo, 22 Aug (JIJI PRESS)--Japan agreed Friday to export 180,000 tons of ammonium sulfate and 320,000 tons of urea to China in the first half of the 1980 fertilizer year (July-December), down from 300,000 tons and 450,000 tons, respectively, in the previous half-year period.

The accord was signed in Beijing between the two countries' delegations after two months of negotiations.

The total fertilizer exports in the six months work out at 884,000 tons in terms of ammonium sulfate.

Shipments will be made in September-December.

Export prices have not been revealed at the Chinese request, but the Chinese have reportedly accepted a Japanese request for price hikes on grounds of soaring raw material costs to some extent.

Indications are that the prices of both ammonium sulfate and urea have been raised by 12 percent over the previous six-month period. The total export value is estimated at 108 million dollars.

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SCIENCE AND TECHNOLOGY

NTT DEVELOPS 'SPACE SWITCHBOARD'

Tokyo MAINICHI DAILY NEWS in English 10 Aug 80 p 1

[Text]

Experiments by Japanese scientists could lead to a breakthrough in international telecommunications, thanks to a kind of "switchboard in space" developed by Nippon Telegraph and Telephone Public Corporation.

In a development plan submitted to the Space Development Council Friday, the Ministry of Posts and Telecommunications says it plans to test the new device later this decade, as part of its research and development program in satellite communications technology.

The program calls for two stationary satellites to be put aloft, one an Experimental Communications Satellite (ECS2) in 1986 and the other an Experimental Broadcasting Satellite (EBS) in 1987.

Both will be launched from the National Space Development Agency's Tanegashima

space center in Kagoshima Prefecture.

The new device, known as an intelligent transponder, is an automatic circuit exchange and relay amplifier operated by a kind of artificial brain.

It will be carried aboard the ECS2, along with experimental millimeter wave communications equipment of the same kind carried on the agency's earlier Ayame research satellites, both of which were lost from contact after launching.

Communications satellites now in operation, such as Intelsat and the Japanese satellite Sakura, relay back radio waves received from ground stations indiscriminately over a huge area.

Ministry officials say the new device corrects this inefficiency because it links each ground station to the satellite by a fine beam of radio waves and can operate like an automatic

switchboard according to demand at any time.

According to the ministry plan, the ECS2 will experiment with both millimeter and sub-millimeter waves. Because of their high frequency, these waves are considered the most promising medium for future large-volume telecommunications, especially as microwaves now used by communications satellites are also used in ground communications and interference can occur.

Officials said the EBS satellite will carry equipment capable of transmitting high quality television images, aimed at developing satellite television transmission equal in quality to ground transmission.

The ECS2 satellite will weigh 350-550 kilograms and cost 30 billion yen and the EBS satellite 550 kilograms, at a cost of 40 billion yen, according to the ministry plan.

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SCIENCE AND TECHNOLOGY

NATION MUST CREATE OWN TECHNOLOGY

Tokyo THE DAILY YOMIURI in English 7 Aug 80 p 2

[Editoria: "Create Own Technology"]

[Text]

The white paper issued by the Science and Technology Agency declares that Japan can no longer depend on the import of science and technology from abroad but must increasingly develop its own in the 1980s.

The white paper says the government's policy on technology and science has reached a turning point. It says that science and technology aggressively imported from overseas helped to rehabilitate the economy after the Pacific War and then enabled Japan to become an economic power. It gives science and technology credit also for helping the nation cope with environmental pollution.

The Organization for Economic Cooperation and Development (OECD) once said the success of Japan's science and technology policy was due to the fact that during the past century the government promoted science and technical education, and because government and industry cooperated closely.

The white paper confirms this view. It points out that the Japanese Government after the war enacted the Foreign Capital Law to accelerate the introduction of foreign technology. The government also encouraged with tax and financial measures the spread of technology through industry. And it carried out a program to expand the number of science and engineering students starting in the mid-1950s.

Imported Technology

The government is often criticized for not making enough funds available for research and development. This may be valid but the government deserves credit for taking measures to promote the development of

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technology. The trouble now, however, with the government's policy is that it was based on importing technology.

The white paper says that scientific and technological development in many Western nations has stagnated, and the gap between Japan and the Western nations is closing. The paper says now Japan must concentrate on developing its own technology.

Time For Policy Change

The white paper urges a policy change, saying basic research must be improved and expanded and more government funds are needed to promote the technical revolution. It calls for a better interchange between government, industry and universities. The government needs to take the initiative but has failed to do so.

The Scientific Technology Council recommends that investments in research to develop technology be raised from 2.1 percent to three percent of the gross national income.

The Science and Technology Agency was established to coordinate the work of various ministries and agencies and this implies the distribution of funds in a priority order. This has not been done well. Its white paper does not make recommendations on this nor does it clarify problems well and spell out solutions.

The agency should carefully think out again what should be done and it should not fall into the error of promoting only big projects like nuclear energy and space technology.

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